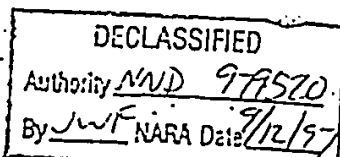


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*Reaching Paper
for President*



Aug. 14 '74

PEOPLE'S REPUBLIC OF CHINA

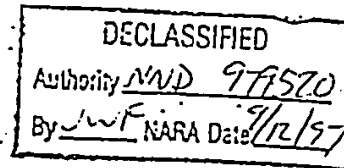
Background

In 1969 there was potentially strong Chinese incentive for reestablishing contact with us. China was emerging from the Cultural Revolution which fed an ideological foreign policy and was very apprehensive about its isolation in the face of the Soviet threat. It was surrounded by a hostile Russia; a Japan which raised bitter war memories and had little military power; and an unfriendly India with whom it had recently fought a war. The United States was the only country with the power to offset the Soviet Union. We presented the least threat with regard to geography or historical memory. There had been two decades of mutual estrangement, but this might also mean a clean slate to write upon. This situation was reinforced by the factors that only we could assist them with the Taiwan problem and that over time our trade and technology could help them industrialize.

We, in turn, had many reasons to open up relations with Peking: generally to give us more diplomatic flexibility in a multipolar world; specifically as an inducement to Moscow for more constructive relations with us; to reduce tensions and possible miscalculations in Asia; to help steer Hanoi toward a reasonable settlement of the Indochina conflicts; and to reestablish personal, economic and cultural contact with a fourth of humanity.

Accordingly, we set out in early 1969 to forge an opening to China. Our policy has been carefully orchestrated since. After private messages through third parties and a series of unilateral public steps on trade and travel, we established a reliable channel through Pakistan to the Chinese leaders in 1970-71. My first secret trip in July 1971 led to the President's February 1972 visit and the Shanghai Communiqué. Since then, I have travelled to China several times; we have opened up Liaison Offices; our trade will probably exceed \$1 billion this year (10-1 in our favor); and there have been a series of cultural/scientific exchanges and

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Congressional visits, including your own. Most significantly, during these years we have progressively deepened our exchanges on international issues, found increasing areas where our views were parallel and developed mutual reliability in our dealings.

U.S. Strategy and Purposes

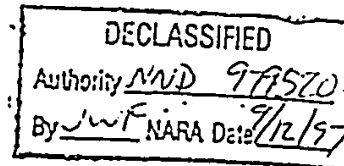
Clearly our developing relationship serves the objective needs of both sides and has resulted in mutual benefits.

Our basic approach has been to move our relations forward by using the Chinese geopolitical concerns about the USSR as leverage; at the same time we have managed the difficult bilateral issues of Taiwan/diplomatic relations through private agreement in principle on our final destination but proceeding in gradual public steps to accustom our various audiences.

On global policies we have demonstrated our firmness when required, and we have consistently and meticulously kept the Chinese informed on all our moves that could affect their interests. This has been especially the case with respect to our relations with Moscow. We have stressed our realistic view of possible Soviet intentions, while pointing out to Peking that our broad engagement with the USSR puts us in a better position to respond when challenged: first, the various benefits that Moscow derives from our relations can be denied as penalties for aggressive Soviet behavior; secondly, against the general backdrop of U.S. reasonableness, the American people will be prepared to back firm moves as being forced upon us by Soviet actions. Our support of Pakistan against the USSR and India in 1971 and our military alert during the October Mid-East war reassured Peking about our resolve; this was one of the factors behind our actions. Nevertheless, the Chinese remain skeptical, believe the West is being lulled by detente, and realize that we are skillfully exploiting Sino-Soviet tensions.

Elsewhere around the world the Chinese and we often share the same perspective. This was not the case at the outset. At first the Chinese put us in the same category with the Soviet Union; they maintained their position that U.S. troops overseas generally

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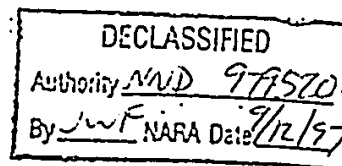
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should be withdrawn; U.S. - Japan security ties were suspect; and we were treated to ideological statements in our private talks. This clash in world views was reflected in our separate statements of positions in the Shanghai Communique. But since then the Chinese have become increasingly preoccupied with Moscow; the Vietnam settlement removed the major contentious issue between us; and now they hardly pay lip service to international ideological goals in their private exchanges. Thus, the Chinese leaders now have been urging us to preserve close security ties with our allies in Western Europe (they are pleased with the recent improvement in Atlantic relations), as well as Japan (whom they prefer anchored to us rather than pursuing a revived militarism). They encouraged our active role in the Middle East to reduce Soviet influence and have been very laudatory of our diplomacy there. And they continue to urge us to support third countries which counterbalance Soviet and Indian influence, such as Pakistan, Iran and Turkey. Finally, they want us to keep strong defenses; we carefully point out to Peking that we are maintaining our military strength and that we have no intention of letting the Soviets gain the advantage.

This geopolitical approach is of prime concern to the Chinese, and they have accordingly been patient on the issue of Taiwan. But for ideological and nationalistic reasons, they have had to know the direction we were heading. They have been farsighted enough not to press us unduly on this issue (if they had begun our dialogue with extreme demands, the opening would probably never have materialized). Thus, they agreed to the Shanghai Communique formulas of leaving the Taiwan issue to be settled by the Chinese themselves and our forces withdrawing only as tensions in the area subside. They neither denounced our Defense Treaty nor set any timetables for diplomatic recognition. Privately we have done the following to give their leaders the long-term assurance that they must have: we said we would complete the normalization process by 1976; we have assured them that we would not foster any two-Chinas policy or Taiwan independence or third country influence in Taiwan; and we have gradually withdrawn our forces from Taiwan as unilateral acts in the wake of the Vietnam peace settlement.

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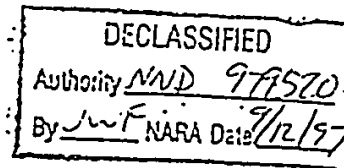
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Both the Chinese and we have gained a great deal since 1971. For the Chinese, we have provided an effective counterweight to Moscow. The PRC has broken out of its isolation and improved relations with Japan and Europe, as well as with us. Peking has enhanced its international status, entered the UN, and picked up numerous diplomatic recognitions, increasingly isolating Taiwan. And Peking is gaining a good deal of Western technology. For us, the relationship has increased our diplomatic maneuverability and, in particular, has been helpful as a prod to Moscow. It has enhanced global stability generally, and, in particular, Asian tensions and the danger of conflict with the PRC have been greatly reduced. Chinese restraint in Indochina (along with Moscow's) helped us gain a peace settlement, and still helps us, by showing Hanoi that its communist brothers put their bilateral relations with us ahead of ideological solidarity. For the American people the drama of the opening to massive China put Vietnam into perspective and eased the psychological burden of ending our involvement there. Our trade with China has shot up dramatically; it currently is running higher than with Moscow, and accounts for some 40 percent of our overall trade surplus. And we have begun to form at least embryonic links with 800 million of the world's most talented people.

The Situation Now

Internally, the PRC is going through a turbulent time. There is good evidence that the political debates now going on are motivated in part by a felt need to prepare for the post-Mao succession situation. The Chairman is still firmly in charge; Chou's position seems secure again, though the infirmities of age will continue to cut back on his former omnipresence in all aspects of Chinese foreign and domestic policy. They are jointly helping to orchestrate a political debate that, in simplified form, is between pragmatists who want to concentrate on economic development with a stable administrative base and others with a more highly ideological bent who believe that politics and revolutionary ideology must come first. We have no reliable clues as to how long these campaigns are likely to continue. At present, the outward signs of unrest (poster attacks on high officials, minor disorders in provincial capitals, and some disruption of production) have been diminishing.

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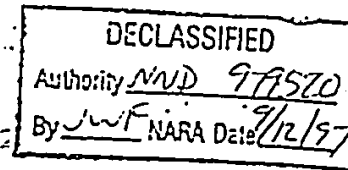
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It seems clear that the campaigns must be brought to a logical conclusion before institutionalization of the governmental apparatus can take place. The Party was reconstituted last August. The administrative institutionalizing will involve selection of people to fill Ministerial-level positions, agreement on a national constitution, and the convening of a National People's Congress. Foreign policy issues have been only minor factors in the debate, but foreign trade -- particularly the extent to which China should curtail foreign purchases in favor of being "self-reliant" -- has been a lively issue. So far, there has been no visible reduction in purchases of foreign technology and products.

Bilateral relations with the United States are generally on course, despite some relatively minor abrasions. Your message of August 9 to Chairman Mao reaffirmed the validity of previous understandings and commitments, as you did in your meeting on the same day with Chinese Ambassador Huang Chen.

The Chinese can be sticky on technical bilateral matters. In recent months, perhaps reflecting the internal campaign, the PRC has adopted a very stiff and bureaucratic attitude toward our proposed settlement of the private claims/blocked assets issue. We had reached agreement in principle that there would be a mutual assignment of the PRC blocked assets to offset private U.S. claims against Peking; in June the PRC cavalierly rejected the proposal for signature of legal documents that we had carefully explained was necessary to satisfy U.S. legal requirements. Other aspects of U.S. policy and practice have caused problems; they refuse to acknowledge the validity of U.S. export controls on certain strategic items, and they have complained about the pro-Taiwan activities of certain private American groups that the USG does not have the power to restrain. A potentially very difficult problem is that they have refused to allow normal access by Chinese citizens to the USLO in Peking, with the result that some Chinese who have legitimate claims of American citizenship are unable to present their cases. However, these abrasions cannot all be considered as being directed against the U.S./PRC relationship. Most of these actions are applied across the board to all countries, and they are manifestations of the well known "great China" syndrome on the part of bureaucrats.

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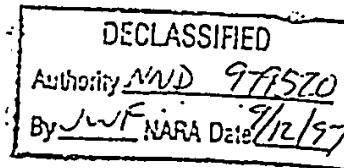
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The PRC has given us differing signals at different levels concerning Taiwan and the related question of U.S./PRC diplomatic relations. Both Chairman Mao and Premier Chou have indicated considerable patience, and have spoken of a long time frame in which Taiwan would gradually be brought to accept unification, after President Chiang Kai-shek has gone. They have said that foreign investments would be protected during a period of transition. PRC high officials have not mentioned to us any dissatisfaction over Taiwan save one occasion a few months ago when their Vice Foreign Minister Chiao said to Ambassador Bruce that we should ensure that our normalization process not slow down. In recent months, however, lower PRC officials have made pointed remarks to third country diplomats and to private Americans that they are not happy with the "pace of normalization." They have cited the appointment of a U.S. Ambassador to Taipei to succeed Ambassador McConaughy who was retiring, and the opening of new ROC Consulates in the U.S. They have stimulated various American writers and columnists to suggest that the U.S. should move rather quickly toward full recognition of Peking.

Discussions of normalization during my last Peking trip in November 1973 produced mixed signals. Mao reaffirmed that the global geopolitical scene was more urgent than Taiwan. But he said that, when we established relations with Peking, we should deal with Taiwan on the Japanese pattern of completely severing official ties and retaining only "private" relations, including trade and commercial. He also made a puzzling allusion to the presence in the U.S. of Ambassadors from the three remnant Baltic states despite our relations with the USSR. And the Chinese introduced a new phrase into the Communiqué during that same visit: "the Chinese side reiterated that normalization... can be realized only on the basis of confirming the principle of one China." This suggested at the time that a simple adherence to a "principle" might allow us to keep de facto political ties with Taiwan. But subsequently, in April, Vice Foreign Minister Chiao said flatly that normalization could be accomplished only on the basis of the Japanese pattern, and no other pattern is possible.

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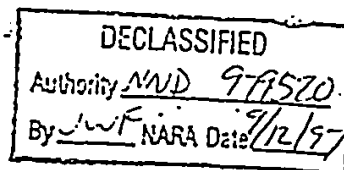
I have told PRC officials that I will be discussing future moves on normalization on my next trip to Peking, and so I will be seeking to discover what degree of flexibility there is in Chinese views of "the Japanese model."

The situation in Taiwan must be carefully considered in any discussion of normalization. The Republic of China has so far been very restrained in its reactions to repeated U.S. moves toward Peking. ROC officials have told us they are seriously concerned about future U.S. actions and have repeatedly requested that we discuss our long-term intentions frankly with them. They have naturally noted with considerable dismay that high level U.S. officials have a much closer relationship with the PRC than with Taiwan. At the same time, U.S. actions over the past three years (beginning with the announcement of my secret trip and President Nixon's proposed visit in July 1971) have had the useful effect of making many Chinese on Taiwan willing to contemplate what used to be unthinkable -- U.S. recognition of Peking. Top officials in Taipei profess to place great store in U.S. official statements that we "will not abandon old friends," but intelligence reports show that some contingency planning is being done against the possibility of a break in diplomatic relations.

Taiwan sees the language of the Shanghai Communique -- that the Taiwan problem is up to the Chinese on both sides of the Strait to settle -- as preserving Taiwan's options either to integrate with the Mainland or to decide to become a separate nation. The government in Taiwan clearly understands that the U.S. Government strongly opposes any declaration of separate status, but they feel that this is still an option for the future. Taiwan has strongly refused to engage in any negotiations, direct or indirect, with Peking. It is doubtful that the PRC has made any significant effort to engage the ROC in such discussions. Thus, there has been no progress toward settlement of "the Taiwan problem."

On our side, we have already reduced substantially our military deployments on Taiwan, as we promised to do in the Shanghai Communique "as tensions in the area diminish." We have obtained ROC agreement to a list of withdrawals that will culminate next May in the departure of the last USAF squadron

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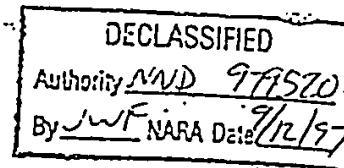
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of F-4s. We have taken away the U-2s that the ROC used to fly, we have withdrawn the nuclear weapons stored on Taiwan and we have withdrawn the first F-4 squadron. Taiwan's reaction to our announcement of these drawdowns was restrained, but the ROC did strongly request that we engage in longer term planning with them, both on military and political matters. We have been unable to accede to that request.

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Issues and Choices

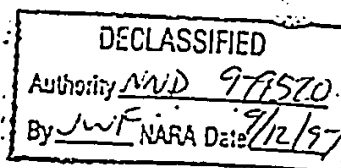
A strong international role, Chinese concerns about encirclement, our developing mutual trust and reliability and profound diplomatic exchanges have combined to move us forward. We are essentially on course with Peking, and recent domestic difficulties in both countries have not basically affected this. The objective factors cited above will continue to be at work. But we cannot afford to be complacent. There are the following problems we will have to deal with:

-- The Sino-Soviet-U.S. Triangle. We have been in probably the ideal situation with regard to the two communist giants; they both want and need to deal with us because they cannot deal with one another. We are walking a delicate tightrope of detente with Moscow and tacit alliance with Peking. This will continue to require the most careful handling. The meticulous care and feeding of the Chinese on our Soviet policy has paid off, but Peking sees our detente pursuit as at least objectively threatening its security, whatever our motives. And even if we don't make mistakes, events beyond our control could turn one or the other against us or propel them toward each other.

-- The American Mood. The Chinese are wary of our domestic and Congressional mood which they see potentially leading to American disengagement from the world. If they became convinced that we cannot or will not act as a major force on a global scale, we will lose our principal value to them. In this case, Taiwan and other bilateral pursuits notwithstanding, they might well explore other alternatives. Your reaffirmation that the U.S. will continue to play a strong international role and maintain our defenses will be reassuring to Peking.

-- The Chinese Leadership Succession. Mao and Chou both are old, and there appears in any event to be some domestic challenge to some current policies, though probably mostly on domestic issues. We have little knowledge about who will succeed the present leadership or what their foreign policy tendencies will be. The one element we can be certain of is that they will not be as far-sighted or as sophisticated as Mao and Chou. A worrisome aspect is the fact that on all six trips we have dealt with a restricted circle of Chou and his

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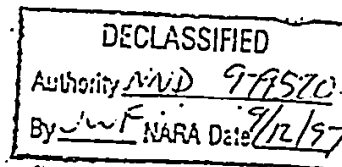
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lieutenants; we have had virtually no contact with other elements of the political leadership, such as the Shanghai radicals. Since a reasonable case might be made for PRC accommodation with Moscow or some other option than their present course, we have no assurance that Peking will continue its policy toward us when Mao and Chou depart. This puts a premium on solidifying our relationship while the current leadership is directing their policy.

Thus, keeping in mind the commitments we have made to Peking, and the recent affirmations by you and me, we are at a stage where we should move forward. This can only be accomplished satisfactorily through face-to-face discussion with the highest PRC officials, so that what is feasible for each side to do, and to agree to, is talked out frankly and securely. It can be argued that stresses within the Chinese leadership make this not a good time to seek final agreement -- particularly on our residual ties with Taiwan that may not be fully acceptable to some elements in Peking. On the other hand, Mao's health is precarious and so is Chou's, and it appears that our best course is to take advantage of their continued presence on the scene as leaders, and to discuss in concrete terms what we have in mind.

The chief substantive issue of our residual relations with Taiwan is to achieve a level of security for Taiwan that is acceptable, or tolerable, to the United States, to the PRC, and to the ROC. Our lawyers assert that our Defense Treaty with Taiwan cannot survive, in any legal sense, after we have recognized Peking and acknowledged "one China". But we do not wish to be seen as forcing Taiwan into an integration with Peking that it does not want, nor abandoning Taiwan to possible later subjugation by invasion from the PRC. Moreover, it is certainly not in our interests or those of the PRC to have the ROC conclude that it is in such dire straits that it decides to take unilateral action.

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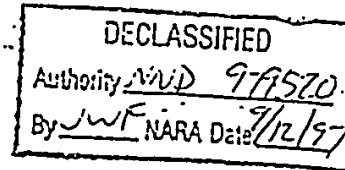
Taiwan's security, therefore, will probably have to rest chiefly on declarations rather than on any formal instruments. The most important of such declarations will be that of the PRC, and it will be important for us to obtain for public use the strongest formulation possible of their intention to solve the Taiwan issue by peaceful means. In return we could say that our Defense Treaty with Taiwan is moot (without formally abrogating it), since we have every expectation that no armed attack will occur. The PRC might be induced to state that peaceful reunification is their goal providing Taiwan or outside forces do not make that goal impossible, thus deterring a declaration of independence. We could add to our statement that if our assumption that there will be no armed attacks on Taiwan prove incorrect, we would have to reconsider our stance on this issue.

Residual, political and economic ties with Taiwan, after our recognition of Peking, represent the other difficult issue of normalization. These also must await discussions in Peking. We could probably be satisfied with any of a number of official formats, such as a Liaison Office, a Consulate General, or a US Mission. However, the most the PRC might agree to is an ostensibly private office such as the Japanese have in Taipei, which is actually manned by a number of Foreign Office officials. In any event the ROC would have to maintain offices in the U.S. reciprocal to what we would keep in Taiwan.

Economic and commercial relations with Taiwan should pose no special problems, since the Japanese model clearly allows sufficient latitude. Military sales, particularly of spare parts and other items essential to ROC preparedness, may be a problem for the PRC to agree to; we could offer to make them purely on a cash basis, and to reject sales of offensive weapons, as we do now. The ongoing project for co-production of F-5E's is the major longer-term military contract we have with the ROC, and we should try to get PRC acquiescence that we follow through on our commitment to Taiwan for that project.

The only way to resolve these issues satisfactorily is by discussion during my next trip. Mao and Chou are astute enough to understand the factors we face, and to make some accommodation to them. I would explain that we are not committed to delivering Taiwan to Peking rule, and that US public opinion

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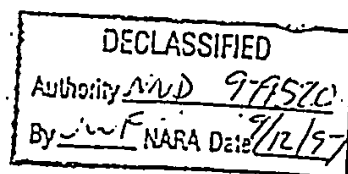
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would not allow us to make unilateral decisions about the future of 15 million people. Peking should also understand that the ROC has substantial capabilities for actions that would make serious problems for both the ROC and the US (declaring independence, or going nuclear, or flirting with a third country such as the USSR whose overtures it has so far rejected) and therefore a strict "Japan formula" of no real US-Taiwan ties would not serve either PRC or US interests.

Another issue concerns the possibility that after we have come to agreement with the PRC, we should privately inform Taiwan. Telling the ROC frankly about our long-term plans has both advantages and disadvantages. By informing Premier Chiang Ching-kuo we could give him time to make internal adjustments on Taiwan so that his own position is not endangered, and stability is not undermined, when we make our move. Also, we would have an opportunity to influence the ROC's reaction. On the other hand, this would be risky because the ROC could decide to take countermeasures to try to forestall what we plan to do. They could leak our intentions publicly to try to stimulate a debate within the U.S. Government and public. There are significant conservative elements among the Congress and the American public whom the ROC could rather easily mobilize for public debate about the advisability of U.S. recognition of Peking and "abandoning" Taiwan. More remote, but still very possible, could be a public declaration by the ROC of separation along "two Chinas" lines, and perhaps announcement of separate nationhood. The capacity of the ROC for making serious trouble for U.S./PRC relations should not be underestimated, nor can we be sure that the ROC's continuing need for a U.S. security umbrella would necessarily preclude such moves. The ROC's recent suspension of airline traffic with Japan--against its own substantial commercial interests--was probably designed in part to demonstrate to the USG the strength and determination with which the ROC would resist our accommodation with Peking.

Congressional consultations also need to be considered carefully. We should weigh the risk of leaks if and when consultations are undertaken, against the risk that the Congress might raise objections later on if a timetable and formula on our diplomatic and security ties is worked out with the PRC without notification to the Congressional leadership.

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Next Steps

-- We should continue to maintain a strong and vigorous role in foreign affairs, and a reassuring military posture.

-- We should continue our intimate dialogue with PRC officials on the geopolitical situation as we see it, and on what we are doing to thwart Soviet expansionist aims.

-- Bilaterally with the PRC, we should move as best we can on trade matters, on promotion of exchange groups between China and the U.S. and other outstanding issues such as according MFN when we obtain the authority, and offering another formula to solve the claims/assets impasse.

-- More specifically, we should formulate with more precision the issues and options that need to be considered before my next Peking trip, especially those concerning diplomatic relations with Peking and ongoing ties for Taiwan. I will be sending you papers on these issues before my trip to Peking.

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